



City of Santa Barbara
Airport Department

DATE: July 15, 2015
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Small Community Air Service Development Program Grant

RECOMMENDATION:

That Airport Commission receive a presentation on the US Department of Transportation's (USDOT) Small Community Air Service Development Program (SCASDP) and authorize the Airport Commission Chair to sign a letter of support for an SCASDP grant proposal from the Santa Barbara Airport.

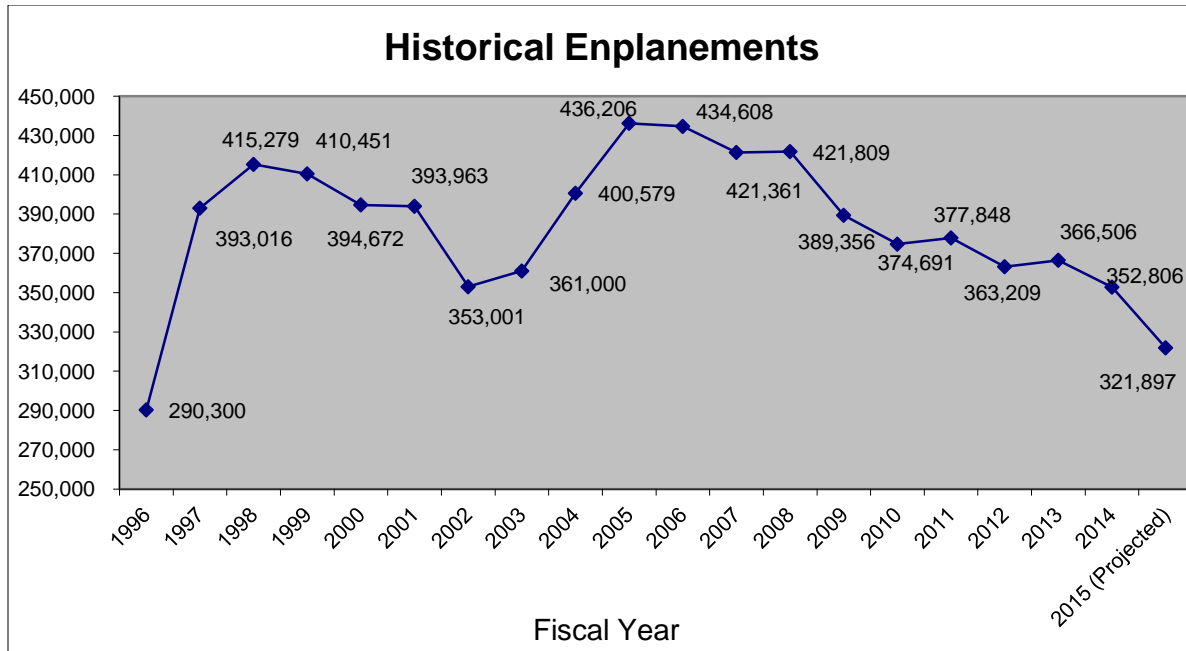
DISCUSSION:

Background

With the airline merger activity in the last ten years, the airline industry has reduced overall seat capacity by 20%. While this reduction has impacted all airports, for Santa Barbara the impact has been a projected 26% decrease in the number of passengers in the past 10 years (see chart on page 2). Enplaned passengers in Fiscal Year 2015 are the lowest since Fiscal Year 1996.

Over the past 10 years, SBA has seen dramatic declines in air service. In addition to airline mergers, the decline in passengers can be attributed to a number of trends in the airline industry, including:

- General macroeconomic trends, including fuel prices
- Transition of regional airline fleets from 50-seat planes to 70-seat and greater aircraft
- Pilot shortages, especially for regional airlines, caused by new FAA regulations for training and rest time
- Airline consolidation of flights at large hub airports and away from small and medium hubs
- Near-range international expansion by low cost carriers



Mirroring the decline in enplanements has been a decline in the average daily departures, non-stop destinations, and airlines serving SBA. As recently as summer 2008, there were 45 average daily departures to 12 non-stop destinations on seven air carriers. Currently, six destinations are served by three air carriers with 22 average daily departures.

Small Community Air Service Development Program

The SCASDP is an annual USDOT grant that seeks to help small communities address air service issues. The typical mechanisms for addressing air service issues are revenue guarantees or marketing support for an airline. The grant requires matching contributions from the local community, which can be in the form of cash or in-kind contributions such as advertising or catering for inaugural events.

In 2014 sixteen grant applications were selected for funding out of a total of 52 grant applications submitted. The only community selected in California was Redding, for a revenue guarantee with a federal contribution of \$450,000. A number of airports were selected for revenue guarantees with a federal contribution of \$750,000, including Columbus, Georgia; Columbus, Mississippi; and Bozeman, Montana.

Grant Proposal

The Airport meets a number of the priority grant selection criteria, including: air fares that are higher than the national average for all communities; community participation in cost sharing of the project and partnerships to facilitate air carrier service; material benefits to a broad segment of the traveling public, including businesses, educational institutions, and other enterprises; and timely use of grant funds.

To address the dramatic impacts in air service over the past 10 years, the Airport plans to submit an application for an SCASDP grant to use as a revenue guarantee for an airline in the amount of \$750,000, plus local contributions of approximately \$250,000, for additional revenue guarantees and/or marketing.

The match would also include the Airport's current airline incentive program, consisting of a waiver of landing fees up to one year for approximately \$100,000, assuming a daily Embraer 175 flight and Fiscal Year 2016 landing rates, and marketing support not to exceed \$50,000.

Community Support

Airport staff is working with the local Chambers of Commerce (Goleta, Santa Barbara, and Carpinteria), Visit Santa Barbara, and others to raise community matching contributions for the grant. Additionally, community support letters have been requested from the County Board of Supervisors, Congresswoman Capps, and major hoteliers.

Grant Proposal

The Airport's proposal is to establish funding for a revenue guarantee for an airline to provide new non-stop service to a mid-continent hub with eastbound connections, with the likeliest candidates United Airlines to Houston or Chicago or American Airlines to Dallas/Fort Worth. The target markets are based upon the results of a leakage study conducted in 2014 by the Airport's air service consultant, InterVISTAS, and the Airport's strategic air service development plan.

Submittal and Award of Grant

The DOT has up to \$5.5 million available for FY 2015 grant awards to carry out the program. There is no limit on the amount of individual awards, and the amounts awarded will vary depending upon the features and merits of the selected proposals. In past years, the Department's individual grant sizes have ranged from \$20,000 to nearly \$1.6 million.

Grant proposals must be submitted on or before July 22, 2015. Should the Airport succeed in obtaining a SCASDP, the grant terms dictate that the revenue guarantee must be used within three years of grant receipt. Community funds are identified as pledges, and would be called upon when the grant is awarded.